



# CORPORATION OF THE TOWNSHIP OF ESQUIMALT

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## Legislation Details (With Text)

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Date	Ver.	Action By	Action	Result
6/12/2017	1	Council	approved	Pass

## REQUEST FOR DECISION

**DATE:** June 5, 2017

Report No. FIN-17-010

**TO:** Laurie Hurst, Chief Administrative Officer

**FROM:** Ian Irvine, Director of Financial Services

### SUBJECT:

Socially Responsible Investments

### RECOMMENDATION:

That Council provides direction regarding the completion of the MFABC survey on Socially Responsible Investing and direct staff to revise the current Council Policy FIN-04 Investment of All Surplus Funds

### RELEVANT POLICY:

Community Charter S183; Council Policy FIN-04 Investment of All Surplus Funds

### STRATEGIC RELEVANCE:

This decision does not relate to any specific strategic priority or objective

### BACKGROUND:

The issue of socially responsible investing ("SRI") has been developing for some time now resulting in a number of financial institutions and investment organizations that have developed mission statements and mandates in this area. Fossil fuel divestiture is still an emerging issue and the investment market has not yet created instruments in this area that are compliant with legislation

governing municipal investments.

Currently there are limited opportunities to invest strictly in socially responsible investments. To date, these investments have not offered the same historic or guaranteed rates of return as non-SRI investments and in Canada these investments generally tend to be in mutual funds, which are prohibited under the Community Charter.

The Community Charter includes regulations for investing municipal funds which specifies that money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:

- (a) securities of the Municipal Finance Authority;
- (b) pooled investment funds under section 16 of the Municipal Finance Authority Act;
- (c) securities of Canada or of a province;
- (d) securities guaranteed for principal and interest by Canada or by a province;
- (e) securities of a municipality, regional district or greater board;
- (f) investments guaranteed by a chartered bank;
- (g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- (h) other investments specifically authorized under this or another Act.

The Township's current Council Policy FIN-04 Investment of All Surplus Funds is in accordance with the Community Charter as it outlines the permitted investments and their corresponding limits. However, it currently does not discuss areas such as credit rating and diversification, rate of return, SRI or liquidity. The Council Policy is attached to this staff report.

As at April 30, 2017, the Township held all of its surplus funds (\$8.9M) within the Municipal Finance Authority (MFA) Money Market Fund. The primary benefits of this Fund are the flexibility and the compounded earnings it provides. Flexibility allows for the monitoring of the markets and shifting of funds without being locked into a fixed rate term. As well, the Fund is valued at the end of each business day which generates compounding income and may result in higher overall earnings than that of a term deposit.

While the Township does not directly invest in fossil fuel companies, within the Money Market Fund the investments are pooled and therefore it is not possible to know where the Township funds are actually used. According to the MFA, as at December 31, 2016, the total percentage of investments pertaining to oil and gas producers and pipelines is approximately 12% and an additional 3% is represented by power generation company investments.

In September 2016, the MFABC released a memorandum outlining their position on divestiture from fossil fuel related assets. The memorandum communicated the instructions given by the MFA Investment Advisory Committee, based on review and third party analysis, that the MFA maintain the status quo with respect to pooled fund offerings. The memorandum is attached to this staff report.

Since that time, questions have been asked by those who are putting greater importance on investing in products that fit their personal values, including those that address environmental, social and governance risks. In response to these requests, the MFABC has recently circulated a short survey.

This survey consists of up to four questions and is intended to assess the interest level of municipalities regarding the potential creation by the MFA of a socially responsible pooled investment fund. The survey also highlights some of the potential considerations and requirements for participation including a minimum three year deposit term, reduced diversification and higher fees.

## **ISSUES:**

### **1. Rationale for Selected Option**

The deadline for completion of the MFA survey is June 16, 2017 and the request has been made for one representative of the Township to submit on behalf of the municipality. Direction from Council will allow staff to complete the survey prior to the deadline to ensure that the Township's input regarding SRI through the MFA is received and considered.

Based on the direction from Council regarding the desired response to the survey, staff will have the ability to update the current Council Policy FIN-04 which was originally drafted in 1988.

### **2. Organizational Implications**

Revision of the existing Council Policy FIN-04 Investment of All Surplus Funds will require staff time to gather information and assess similar policies in other municipalities and regional districts. Once this research has been completed, an updated draft policy will be presented to Council for their review and approval.

### **3. Financial Implications**

There are no financial implications of this decision.

### **4. Sustainability & Environmental Implications**

There are no direct sustainability or environmental implications of this decision.

### **5. Communication & Engagement**

In advance of the June 16, 2017 deadline, staff will access and complete the MFABC electronic survey in accordance with Council's direction.

## **ALTERNATIVES:**

1. That Council provides direction regarding the completion of the MFABC survey on Socially Responsible Investing and directs staff to revise the current Council Policy FIN-04 Investment of All Surplus Funds.

2. That Council provides direction regarding the completion of the MFABC survey on Socially Responsible Investing and directs staff to leave Council Policy FIN-04 Investment of All Surplus Funds unchanged.